

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Osceola Township	County Osceola
Fiscal Year End 3/31/2006	Opinion Date 11/17/2006	Date Audit Report Submitted to State December 5, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789		
Street Address 134 West Harris Street		City Cadillac	State MI	Zip 49601
Authorizing CPA Signature 		Printed Name Steven C. Arends, C.P.A.		License Number 1101013211

OSCEOLA TOWNSHIP, OSCEOLA COUNTY

EVART, MICHIGAN

MARCH 31, 2006

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

MARCH 31, 2006

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CERTIFIED PUBLIC ACCOUNTANTS

November 17, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Osceola Township
Osceola County
Evart, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Osceola Township, Osceola County, Evart, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Osceola Township, Osceola County, Evart, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osceola Township, Osceola County, Ewart, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Osceola Township, a general law township located in Osceola County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Osceola Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$387,629. Of this amount, \$246,905 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported an ending fund balance of \$249,965. About 98.55% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Osceola Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$387,629 at March 31, 2006, meaning the Township’s assets were greater than its liabilities by this amount.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Osceola Township
Net Assets as of March 31, 2006

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 250,463
Non Current Assets	
Capital Assets	\$ 176,148
Less: Accumulated Depreciation	<u>(38,484)</u>
Total Non Current Assets	<u>\$ 137,664</u>
Total Assets	<u><u>\$ 388,127</u></u>
Liabilities	
Current Liabilities	<u>\$ 498</u>
Net Assets	
Invested in Capital Assets	\$ 137,664
Restricted for Specific Purposes	3,060
Unrestricted	<u>246,905</u>
Total Net Assets	<u>\$ 387,629</u>
Total Liabilities and Net Assets	<u><u>\$ 388,127</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$249,905 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$24,611 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Osceola Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2006

	<u>Governmental</u> <u>Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 201
Operating Grants and Contributions	3,060
General Revenues	
Property Taxes	21,198
State Shared Revenue	76,916
Licenses and Permits	780
Investment Earnings	1,161
Other	4,003
Total Revenues	<u>\$ 107,319</u>
<u>Expenses</u>	
Legislative	\$ 4,033
General Government	50,555
Public Safety	14,429
Public Works	0
Community and Economic Development	4,153
Recreational and Cultural	6,750
Other Functions	2,788
Total Expenses	<u>\$ 82,708</u>
Change in Net Assets	\$ 24,611
NET ASSETS - Beginning of Year	<u>363,018</u>
NET ASSETS - End of Year	<u><u>\$ 387,629</u></u>

Governmental Activities

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$24,611 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Osceola Township comes from state shared revenues of \$76,916. The Township levied .8743 mills for operating purposes which raised revenues of \$20,775.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2006, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general governmental expenses that total 61.1% of total expenses. The Township spent \$50,555 in fiscal year 2006 on General Government expenses. Public Safety represented the next largest expense at \$14,429, or 17.4% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Government expenses at \$28,590. Depreciation expense added another \$5,430.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Osceola Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Osceola Township's governmental fund reported an ending fund balance of \$249,965. Approximately 98.5%, or \$246,339 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for cemetery perpetual care must be used for expenditures that relate to cemetery operations.

General Fund – The General Fund increased its fund balance by \$30,041 which brings the fund balance to \$249,965. The General Fund's fund balance has \$246,339 unreserved, \$566 reserved for cemetery perpetual care and \$3,060 reserved for telecommunications right-of-way maintenance. All of the General Fund's functions ended the year with expenditures below budgeted amounts. Property taxes and late fees amounted to \$21,198. State shared revenues were collected in the amount of \$76,916.

Proprietary Fund – The Township does not maintain any proprietary funds.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$137,664 net of accumulated depreciation. There was no change in the Township's investment in capital assets for the current fiscal year.

Capital assets summarized below include any items purchased with a cost greater than \$500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Osceola Township
Capital Assets as of March 31, 2006

	<u>Governmental Activities</u>
Land	\$ 24,600
Buildings and Improvements	39,761
Equipment, Furniture and Fixtures	11,787
Infrastructure	<u>100,000</u>
	\$ 176,148
Less Accumulated Depreciation	<u>(38,484)</u>
Net Capital Assets	<u><u>\$ 137,664</u></u>

There were no major capital asset events during the current fiscal year.

Long-Term Debt. Osceola Township has no obligation for any long-term debt as of March 31, 2006.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues. State-shared revenues are expected to remain the same in the 2006-07 fiscal year.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Osceola Township at 8995 95th Avenue, Evart, Michigan 49631.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 227,351
Taxes Receivable	3,466
Due from External Sources (Fiduciary Fund)	1,232
Due from Other Governments	<u>18,414</u>
Total Current Assets	<u>\$ 250,463</u>
<u>CAPITAL ASSETS</u>	
Land	\$ 24,600
Buildings and Improvements	39,761
Equipment, Furniture and Fixtures	11,787
Infrastructure	<u>100,000</u>
	\$ 176,148
Less Accumulated Depreciation	<u>(38,484)</u>
Net Capital Assets	<u>\$ 137,664</u>
TOTAL ASSETS	<u><u>\$ 388,127</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 229
Payroll Taxes and Withholdings	<u>269</u>
Total Current Liabilities	<u>\$ 498</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 137,664
Restricted	
Telecommunications Right-of-Way Maintenance	3,060
Unrestricted	<u>246,905</u>
Total Net Assets	<u>\$ 387,629</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 388,127</u></u>

The accompanying notes are an integral part of the financial statements.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 4,033	\$ 0	\$ 0	\$ 0	\$ (4,033)
General Government	50,555	201	0	0	(50,354)
Public Safety	14,429	0	0	0	(14,429)
Public Works	0	0	3,060	0	3,060
Community and Economic Development	4,153	0	0	0	(4,153)
Recreation and Cultural	6,750	0	0	0	(6,750)
Other Functions	2,788	0	0	0	(2,788)
Total Governmental Activities	<u>\$ 82,708</u>	<u>\$ 201</u>	<u>\$ 3,060</u>	<u>\$ 0</u>	<u>\$ (79,447)</u>
<u>GENERAL REVENUES</u>					
Property Tax					\$ 21,198
State Shared Revenue					76,916
Licenses and Permits					780
Investment Earnings					1,161
Other					4,003
Total General Revenues					<u>\$ 104,058</u>
Change in Net Assets					\$ 24,611
<u>NET ASSETS</u> - Beginning of Year					<u>363,018</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 387,629</u>

The accompanying notes are an integral part of the financial statements.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2006

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash	\$ 227,351
Taxes Receivable	3,466
Due From Other Funds	1,232
Due From Other Governments	18,414
Total Assets	<u>\$ 250,463</u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 229
Payroll Taxes and Withholdings	269
Total Liabilities	<u>\$ 498</u>
<u>FUND BALANCE</u>	
Reserved for:	
Cemetery Perpetual Care	\$ 566
Telecommunications Right-of-Way Maintenance	3,060
Unreserved	
Undesignated	246,339
Total Fund Balance	<u>\$ 249,965</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 250,463</u>

The accompanying notes are an integral part of the financial statements.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$	249,965
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	24,600	
Buildings and Improvements		39,761	
Equipment, Furniture and Fixtures		11,787	
Infrastructure		100,000	
Accumulated Depreciation		38,484	214,632

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	464,597
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The accompanying notes are an integral part of the financial statements.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
Taxes	\$ 21,198
Licenses and Permits	780
State Grants	79,976
Charges for Services	21
Interest and Rents	1,341
Other Revenues	<u>4,003</u>
Total Revenues	<u>\$ 107,319</u>
<u>EXPENDITURES</u>	
Legislative	\$ 4,033
General Government	45,125
Public Safety	14,429
Community and Economic Development	4,153
Recreation and Cultural	6,750
Other Functions	<u>2,788</u>
Total Expenditures	<u>\$ 77,278</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 30,041
<u>FUND BALANCE</u> - Beginning of Year	<u>219,924</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 249,965</u></u>

The accompanying notes are an integral part of the financial statements.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 30,041
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	<u>(5,430)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 24,611</u></u>

The accompanying notes are an integral part of the financial statements.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MARCH 31, 2006

	<u>CURRENT TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$ 1,232
	<hr/>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 1,232
	<hr/>

The accompanying notes are an integral part of the financial statements.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Osceola Township is a general law township located in Osceola County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Osceola Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, Osceola Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Township's Investment Policy states that the Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Township Board at the Board's organizational meeting after each regular election of board members.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

- (h) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- (j) The investment pools organized under the Local Government Investment Pool Act, 1985 PA-121, MCL 129.141 to 129.150.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 15. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Osceola Township totaled \$23,766,978, on which ad valorem taxes levied consisted of 0.8743 mills for Osceola Township operating purposes. The levy raised \$20,775 for operating purposes.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvement	20
Land improvements	20
Infrastructure	30
Equipment	10
Furniture, Equipment and Fixtures	5-10

Osceola Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

The Township has no long-term debt obligations.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 14, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with expenditures in excess of appropriations

There were no functions with expenditures in excess of appropriations.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Citizens Bank and Chemical Bank in Evart, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$26,186 of the government's bank balance of \$229,395 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major fund are as follows:

	<u>General</u>
Receivables	
Taxes	\$ 3,466
Due from Other Governments	18,414

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 24,600	\$ 0	\$ 0	\$ 24,600
Capital assets, being depreciated				
Buildings and Improvements	\$ 39,761	\$ 0	\$ 0	\$ 39,761
Equipment, Furniture and Fixtures	11,787	0		11,787
Infrastructure	100,000	0	0	100,000
Total capital assets, being depreciated	\$ 151,548	\$ 0	\$ 0	\$ 151,548
Less accumulated depreciation for:				
Buildings and Improvements	\$ 20,668	\$ 1,808	\$ 0	\$ 22,476
Equipment, Furniture and Fixtures	10,442	288		10,730
Infrastructure	1,944	3,334	0	5,278
Total accumulated depreciation	\$ 33,054	\$ 5,430	\$ 0	\$ 38,484
Total Capital assets, being depreciated, net	\$ 118,494	\$ (5,430)	\$ 0	\$ 113,064
Governmental activities capital assets, net	\$ 143,094	\$ (5,430)	\$ 0	\$ 137,664

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 5,430

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2006, were:

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

<u>Fund</u>	<u>INTERFUND RECEIVABLES DUE FROM'S</u>	<u>INTERFUND PAYABLES DUE TO'S</u>
General Fund	\$ 1,232	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	0	1,232
	<u>\$ 1,232</u>	<u>\$ 1,232</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

E. Long-Term Debt

At March 31, 2006, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves

The Township has a reserved fund balance of \$566 for Cemetery Perpetual Care and \$3,060 for Telecommunications Right-of-Way Maintenance.

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

Effective June 26, 1991, the Township established a Simplified Employee Pension – Individual Retirement Account (SEP-IRA). The plan was established with Citizens Bank. The plan covers all employees who meet minimum participation requirements based on annual compensation. To be eligible for plan coverage each employee must be at least 18 years of age.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

The formula for determining contributions is based on an employee's annual compensation. Annual compensation is based on compensation which coincides with the calendar year coinciding with or ending within the plan year. The Township has elected to contribute 7.5% of compensation to the plan annually.

The Township contributions to the plan for 2005-2006 plan year amounted to \$1,935.

Total wages for those covered under the plan was \$36,951 and total wages for all employees including non-covered payroll was \$38,781.

The individual retirement account balances become the property of the employee immediately. Therefore, there are no plan assets or liabilities which are includible as part of the Township reporting entity.

C. Current Tax Collection Balance

The balance of \$1,232 remaining in the current tax collection fund at March 31, 2006 consists of current tax collections, interest earnings, and collection fees which will be transferred to the township General Fund.

D. Joint Fire District

The Township is a member of the Evert Area Joint Fire Department. The Fire Board maintains the records for the fire department. The Township's assessment for support of the fire department for 2005-2006 was \$13,689. The fire district is a joint venture supported by the City of Evert and the Townships of Evert, Orient, Osceola and Sylvan. The following information was taken from Evert Area Joint Fire Department's June 30, 2006 audited financial statements.

Total Assets	\$ 71,200
Total Liabilities	1,158
Fund Balance	70,042
Total Revenues	202,132
Total Expenditures	256,618
Net Increase (Decrease) in Fund Balance	(54,486)

A copy of these audited financial statements may be obtained upon request from the Fire Department Treasurer.

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND

YEAR ENDED MARCH 31, 2006

	<u>GENERAL FUND</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>	
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 19,900	\$ 19,900	\$ 21,198
Licenses and Permits	1,300	1,300	780
State Grants	79,000	79,000	79,976
Charges for Services	325	325	21
Interest and Rents	1,700	1,700	1,341
Other Revenues	4,500	4,500	4,003
Total Revenues	\$ 106,725	\$ 106,725	\$ 107,319
<u>EXPENDITURES</u>			
Legislative	\$ 5,100	\$ 5,100	\$ 4,033
General Government	56,350	56,947	45,125
Public Safety	15,500	15,500	14,429
Public Works	40,000	40,000	0
Community and Economic Development	5,900	5,900	4,153
Recreation and Cultural	7,000	7,250	6,750
Other Functions	4,200	4,590	2,788
Total Expenditures	\$ 134,050	\$ 135,287	\$ 77,278
Net Change in Fund Balance	\$ (27,325)	\$ (28,562)	\$ 30,041
<u>FUND BALANCE</u> - Beginning of Year	219,924	219,924	219,924
<u>FUND BALANCE</u> - End of Year	\$ 192,599	\$ 191,362	\$ 249,965

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GENERAL FUND
BALANCE SHEET

MARCH 31, 2006

ASSETS

Cash	
Commercial Account	\$ 117,130
Money Market Account	8,244
Savings Account	4,712
Certificates of Deposit	97,265
Taxes Receivable	3,466
Due from Other Funds	1,232
Due from Other Governments	18,414
	<hr/>
TOTAL ASSETS	\$ 250,463
	<hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 229
Payroll Taxes and Withholdings	269
	<hr/>
Total Liabilities	\$ 498
	<hr/>

FUND BALANCE

Reserved for:	
Cemetery Perpetual Care	\$ 566
Telecommunications Right-of-Way Maintenance	3,060
Unreserved	246,339
	<hr/>
Total Fund Balance	\$ 249,965
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 250,463
	<hr/>

OSCEOLA TOWNSHIP, OSCEOLA COUNTY

EVART, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDING MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 19,900	\$ 19,900	\$ 21,198
Licenses and Permits	1,300	1,300	780
State Grants	79,000	79,000	79,976
Charges for Services	325	325	21
Interest and Rents	1,700	1,700	1,341
Other Revenues	4,500	4,500	4,003
Total Revenues	<u>\$ 106,725</u>	<u>\$ 106,725</u>	<u>\$ 107,319</u>
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 5,100	\$ 5,100	\$ 4,033
General Government			
Supervisor	4,200	4,200	11,895
Election	1,000	1,000	399
Assessor	10,900	10,900	1,735
Clerk	10,450	10,919	9,899
Board of Review	900	900	999
Treasurer	11,500	11,500	10,308
Building and Grounds	17,400	17,528	9,890
Public Safety			
Fire Department	15,500	15,500	14,429
Public Works			
Highways, Streets, & Bridges	40,000	40,000	0
Community and Economic Development			
Planning and Zoning	5,900	5,900	4,153
Recreation and Cultural	7,000	7,250	6,750
Other Functions			
Employee Benefits	4,200	4,590	2,788
Total Expenditures	<u>\$ 134,050</u>	<u>\$ 135,287</u>	<u>\$ 77,278</u>
Excess (Deficiency) of Revenues			
Over Expenditures	\$ (27,325)	\$ (28,562)	\$ 30,041
<u>FUND BALANCE</u> - Beginning of Year	<u>219,924</u>	<u>219,924</u>	<u>219,924</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 192,599</u>	<u>\$ 191,362</u>	<u>\$ 249,965</u>

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2006

	<u>BALANCE</u>			<u>BALANCE</u>
	<u>4/1/2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>3/31/2006</u>
<u>ASSETS</u>				
Cash	\$ 17,602	\$ 396,726	\$ 413,096	\$ 1,232
<u>LIABILITIES</u>				
Due to Other Funds	\$ 17,602	\$ 17,737	\$ 34,107	\$ 1,232
Due to Other Organizations and Individuals	0	96	96	0
Due to Other Governments	0	378,893	378,893	0
Total Liabilities	\$ 17,602	\$ 396,726	\$ 413,096	\$ 1,232

OSCEOLA TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

STATEMENT OF 2005 TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$	219,159	
County - State Education Tax		141,764	
Township		20,775	
School			
Evart Public Schools		190,233	
Intermediate School			
Mecosta-Osceola		<u>97,141</u>	\$ 669,072

TAXES COLLECTED

County	\$	185,722	
County - State Education Tax		129,664	
Township		17,309	
School			
Evart Public Schools		158,087	
Intermediate School			
Mecosta-Osceola		<u>80,932</u>	<u>571,714</u>

TAXES RETURNED DELINQUENT

County	\$	33,437	
County - State Education Tax		12,100	
Township		3,466	
School			
Evart Public Schools		32,146	
Intermediate School			
Mecosta-Osceola		<u>16,209</u>	<u>\$ 97,358</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

November 17, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Osceola Township
Osceola County
Evart, Michigan

During the course of our audit of the basic financial statements of Osceola Township for the year ended March 31, 2006, we noted the following items:

Current Tax Collection Fund Balance

As of March 31, 2006, a balance remained in the current tax collection fund. We recommend that any balance remaining in the current tax collection fund be paid out prior to the end of the fiscal year.

New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement 34 that provides for changes in reporting requirements for Township financial statements. For the Township these changes were implemented in the March 31, 2006 financial audit.

Some of the more significant changes required by GASB 34 are as follows:

- a) Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
- b) Several new types of financial statements are now included that reports financial information on a government wide basis and incorporates capital assets, and a provision for depreciation on those assets.

Capitalization Policy

The Township should officially adopt and record in the minutes its' Capitalization Policy of \$500. We have provided an appropriate sample policy for the board to consider for adoption.

Investments

At the end of the fiscal year, the Township had over \$100,000 in a non-interest bearing account. We recommend that the Township estimate needed cash flow amounts and invest all excess funds in interest bearing accounts.

We would like to thank the board for its continued confidence in our firm and to thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

November 17, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Osceola Township
Osceola County
Evart, Michigan

In planning and performing our audit of the basic financial statements of Osceola Township, Osceola County, Evart, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.